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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Audit of a contract for the provision of airfield services in the United Nations Organization Mission in the Democratic Republic of the Congo

Note by the Secretary-General*

1. Pursuant to General Assembly resolutions 48/218 B of 29 July 1994 and 54/244 of 23 December 1999, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audit of a contract for the provision of airfield services in the United Nations Organization Mission in the Democratic Republic of the Congo.

2. The Secretary-General takes note of the findings of the Office of Internal Oversight Services and generally concurs with the recommendations made in its report, which will enable the Department of Peacekeeping Operations and the Office of Central Support Services to respond more effectively to the operational requirements of field missions.

* The present report was requested by the Fifth Committee (A/56/713/Add.1) after the deadline for submission of documentation for the resumed fifty-sixth session.

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Report of the Office of Internal Oversight Services on the audit of a contract for the provision of airfield services in the United Nations Organization Mission in the Democratic Republic of the Congo

Summary

During August and September 2001, the Office of Internal Oversight Services conducted an audit of the proposed $34 million contract for the provision of airfield services in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). The audit found that the objective of the Department of Peacekeeping Operations to expeditiously establish an airfield services contract to meet the Mission's urgent operational requirements was not achieved. This was owing mainly to inadequate consultations between the Department's Field Administration and Logistics Division and MONUC during the preparation of the statement of work for the contract, and the Division's failure to articulate the modalities for establishing a "requirements contract". Consequently, although the contract was awarded on 28 March 2001, the contractor had not started providing services as at November 2001 because of protracted post-award negotiations. MONUC therefore continued to operate its large fleet of aircraft in an aviation environment that the Department of Peacekeeping Operations considers to have an unacceptably high level of risk.

Contrary to the Organization's outsourcing policies, the Department's decision to use the outsourcing option for providing the services to MONUC was not supported by a cost-benefit analysis. The Office of Internal Oversight Services was concerned that the absence of any assurance as to the cost-effectiveness of such decisions could lead to the establishment of expensive or uneconomical contracts which could result in losses to the Organization.

The audit revealed several discrepancies and errors in the technical evaluation of proposals, thereby raising concerns about the capacity of the Field Administration and Logistics Division to prepare comprehensive technical specifications and evaluate complex technical proposals pertaining to aviation-related services. The discrepancies and errors in the technical evaluation, which may have led to the selection of a more expensive contractor, indicated a need to strengthen the capacity of the Division to conduct such complex tasks. The demands placed on the Division's capacity to evaluate the proposals for this contract would have been substantially higher had the request for proposals elicited a better response than it actually did. The Office of Internal Oversight Services is of the view that the Division could benefit from engaging outside expertise in the preparation of specifications and the evaluation of proposals for aviation-related contracts, whenever needed.

To respond successfully to such challenging operational requirements, the Field Administration and Logistics Division needs to develop and establish appropriate contractual mechanisms. This would include the formulation of clear provisions for imposing liquidated damages to ensure that critical services are provided to field missions in accordance with operational timelines.

The Office of Internal Oversight Services made a number of recommendations, including the following:

(a) The Department of Peacekeeping Operations should ensure that the cost-effectiveness of its outsourcing decisions is properly documented in accordance with the policies and procedures of the Organization;

(b) The Field Administration and Logistics Division should determine field missions' operational requirements in consultation with the concerned missions;

(c) The Field Administration and Logistics Division and the Procurement Division should clearly define the scope of services and the associated contractual arrangements in the requests for proposals, in order to avoid confusion and resultant delays that may adversely affect missions' operations;

(d) The Field Administration and Logistics Division should consider engaging the services of consultants or experts, including those from specialized entities within the United Nations system, for preparing detailed specifications and conducting technical evaluations relating to complex projects;

(e) The Field Administration and Logistics Division should identify the lessons learned from this case and devise appropriate strategies to respond effectively to urgent operational requirements of field missions.

The Department of Peacekeeping Operations has informed the Office of Internal Oversight Services that, in view of the audit observations and recommendations, and comments made by the Advisory Committee on Administrative and Budgetary Questions (see A/56/845), the Department has decided to take corrective action to rebid the contract as soon as possible.

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I. Introduction

1. The need to establish a contract for the provision of airfield services[1] in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) was communicated to the Procurement Division of the Office of Central Support Services in May 2000 by the Field Administration and Logistics Division of the Department of Peacekeeping Operations. The Procurement Division issued a request for proposals to 23 companies internationally. In December 2000, the Field Administration and Logistics Division and the Procurement Division decided to stop the procurement action, owing to the inability of the warring parties within the Democratic Republic of the Congo to effect a ceasefire. However, on 6 February 2001, the Department of Peacekeeping Operations asked the Procurement Division to obtain best and final offers from the five companies that had submitted proposals in response to the request for proposals issued in May 2000. The Department justified its request on the basis that the sudden change in leadership in the Democratic Republic of the Congo had presented an opportunity whereby MONUC would be asked to monitor the disengagement of combatants. On 7 February 2001, the Assistant Secretary-General for Central Support Services suggested to the Department that a limited competitive bidding exercise with a short turnaround time could be conducted, in view of the operational urgency.

2. On 8 February 2001, the Procurement Division issued a new request for proposals to the five individual companies which had responded to the previous request for proposals. After several clarifications and amendments, the Procurement Division received three proposals from five companies before the deadline of 27 February 2001. Between 1 March and 22 March 2001, the Field Administration and Logistics Division conducted two technical evaluations before recommending the award to Proposer A as the sole acceptable proposal. The Procurement Division submitted the case to the Headquarters Committee on Contracts on 27 March 2001, seeking the Committee's advice to award the one-year contract (with the option of extension for four one-year periods) to Proposer A under financial rule 110.21 — lowest technically acceptable proposal. On 28 March 2001, the Committee recommended the award to Proposer A in a not-to-be-exceeded amount of $34,223,412 for a one-year period. After protracted negotiations with the successful bidder (Proposer A), the contract was signed in November 2001. The Office of Internal Oversight Services conducted the audit during August and September 2001, and the audit report was finalized after taking into account the comments provided by the Department of Peacekeeping Operations and the Office of Central Support Services, which are identified in the present document in italics.

II. Rationale of the Department of Peacekeeping Operations for establishing the contract

3. An assessment made in April 2000 by the Military Adviser in the Department of Peacekeeping Operations determined that, although the provision of flight operations and other related airfield services was essential for deploying troops in the MONUC mission area, troop-contributing nations were reluctant to provide those services. The Military Adviser recommended that the Field Administration and Logistics Division explore the possibility of obtaining airfield services through a contractor, although there would be a resultant delay of four to six months in the deployment of troops, owing to the time required for conducting the procurement exercise. The first request for proposals issued in May 2000 was based on the Military Adviser's recommendation.

4. In January 2001, The Division's Air Transport Unit determined that the recruitment of qualified United Nations aviation staff was necessary to support MONUC air operations before troop deployments could start. However, since the recruitment of qualified United Nations staff would not meet the timelines envisaged in the updated concept of operations for MONUC,[2] and because the Department had been unable to obtain those services from troop-contributing nations, the only viable solution would be to establish a service contract.

5. The Office of Internal Oversight Services noted that, according to the Organization's policies on the use of outsourcing (see A/53/818), the four basic reasons for outsourcing are: (a) to acquire technical skills not readily available within the Organization, including accessing state-of-the-art technologies and expertise or acquiring needed flexibility to meet quickly changing circumstances; (b) to achieve cost savings; (c) to

provide a source more effectively or expeditiously; and (d) to provide an activity or service not needed on a long-term basis. In a subsequent report of the Secretary-General (A/55/301), it was stated that the four specific criteria to be satisfied in the assessment of whether or not an activity could be fully or even partially outsourced were: (a) cost-effectiveness and efficiency; (b) safety and security; (c) maintaining the international character of the Organization; and (d) maintaining the integrity of procurement procedures and process. Furthermore, an activity may be outsourced only if the assessment reveals that all four criteria are met and the practice is in the overall interest of the Organization.

6. In the opinion of the Office of the Internal Oversight Services, the Department's decision to obtain the services through a contractor, instead of recruiting aviation personnel for MONUC, fell within the ambit of the "basic reasons" for outsourcing (see A/53/818), in that the requisite skills were not readily available within the Organization; external expertise was considered more suitable to meet the potentially volatile situation in the mission area; and the services were needed expeditiously. However, the Department had not determined the cost-effectiveness of the outsourcing decision. Failure to assure the cost-effectiveness of such decisions could lead to establishing expensive, uneconomical contracts with potential losses to the Organization.

7. *The Department of Peacekeeping Operations commented that many such decisions could not be made on the basis of a cost-benefit assessment that uses traditional methodology to compare the cost of outsourcing with other options. Instead, a "risk management assessment" was made, comparing the risks of not obtaining the required support with the risks of obtaining such support.* In the opinion of the Office of Internal Oversight Services, the Department should prepare cost-benefit analyses in support of its outsourcing decisions to ensure that excessive numbers of contractual personnel are not employed to carry out tasks that could be performed by United Nations staff or military contingents at a considerably lower cost.

III. Preparation of the statement of work

A. Inadequate consultations between the Field Administration and Logistics Division and the United Nations Organization Mission in the Democratic Republic of the Congo

8. The review by the Office of Internal Oversight Services indicated that consultations between the Field Administration and Logistics Division and MONUC during the preparation of the statement of work for the contract were inadequate. While the Division's assessment was that a complete range of airfield services needed to be procured from a contractor, MONUC held the view that many of the services were already being provided (or could be provided) by its South African contingent and/or the Movement Control Section in a more cost-effective manner. The Office of Internal Oversight Services resident auditor in MONUC found that, after the contract had been awarded to Proposer A on 28 March 2001, the Mission questioned the need for many of the services included in the statement of work. MONUC had informed the contractor's representatives at a meeting held on 11 April 2001 in Kinshasa that services valued at approximately $14.8 million (out of a total amount of $34.2 million, or 43 per cent of the contract value) were not required. The Mission's reservations concerning the contract had arisen from its belief that, since the contract had not been in place prior to the deployment of military observers, there may not be valid reasons for establishing it at a later stage. The fact that over 30 United Nations aircraft were flying in the mission area on a regular basis in an apparently unsafe aviation environment was a matter of concern for the Department of Peacekeeping Operations, but MONUC did not appear to see the need for the contract. Several months after the contract was awarded, the Department sent code cables to the Mission and followed them up with field visits by its senior staff to convince MONUC of the need for engaging the contractor to provide the services.

9. In August 2001, however, after a representative of the Transport Section of the Field Administration and Logistics Division was posted to the mission area, MONUC reversed its original position and prepared a detailed plan according to which most of the services

would be obtained from the contractor through the issuance of specific task orders, as envisaged in the proposed contract. In the opinion of the Office of Internal Oversight Services, the delay in signing the contract until November 2001 was partly owing to the communication gap between the Department of Peacekeeping Operations and MONUC, which could have been avoided had more extensive consultations taken place during the preparation of the statement of work prior to issuance of the request for proposals. Consequently, notwithstanding the operational urgency arising from Security Council resolution 1341 (2001) of 22 February 2001, as well as the serious concerns of the Field Administration and Logistics Division about the Mission's aviation safety posture, the Mission continued to operate its aircraft in apparently unsafe and sub-standard conditions, even though the contract had been awarded more than six months earlier.

10. *The Department of Peacekeeping Operations commented that the issue had not necessarily been one of failure to consult with MONUC, but rather that the Department had not recognized the serious resistance among key MONUC staff to the acceptance of this contract.* In the opinion of the Office of Internal Oversight Services, the consultative process should ensure that field missions and the Department of Peacekeeping Operations recognize their respective views, so that the agreed-upon solution best suits the missions' needs. This would also dispel any apprehensions of such contracts being unnecessarily foisted upon missions by Headquarters.

B. Lack of clarity about the scope of services and the associated contractual arrangement

11. Apart from the differences in perception between the Field Administration and Logistics Division and MONUC, a related matter of some concern was the lack of clarity about the scope of the services contracted and the associated contractual arrangement The request for proposals, including amendments thereto, and the clarifications provided by the Procurement Division to potential bidders indicated that the requirements in the statement of work were firm (except for air traffic control operations at all locations and services for the Bangui airfield, which were "options" that may or may not be required to be performed by the contractor). However, Department of Peacekeeping Operations officials informed the Office of Internal Oversight Services that the contract was a "fixed price requirements contract" that offered a menu of services from which MONUC could choose only those specific services that were needed.

12. The Office of Internal Oversight Services review indicated that the Field Administration and Logistics Division did not properly articulate its objective of establishing a requirements contract. Since the request for proposals was unclear about this objective, bidders appeared to have misunderstood the statement of work to be an "all or none" proposition. In the opinion of the Office of Internal Oversight Services, a requirements contract should explicitly provide the Organization with the sole discretion to engage the contractor or any other person or entity to perform any of the services in the statement of work, but the request for proposals did not stipulate this condition. The Procurement Division's presentation to the Headquarters Committee on Contracts did not indicate that the proposal was for a requirements contract; and the minutes of the Committee's deliberations do not suggest that the Committee understood this to be a requirements contract. The Procurement Division's notification of award, issued on 30 March 2001, asked the contractor to commence mobilization efforts for all locations except Bangui without indicating the specific services to be performed at each location. This clearly created an impression that the contract was a lump sum for all the requirements indicated in the statement of work, with the exception of the "optional" items specified therein. Furthermore, in a presentation made to MONUC staff during June 2001, the contractor's mobilization team informed the Mission that all the services listed in the statement of work would be exclusively performed by the contractor.

13. The Office of Internal Oversight Services found that, even as of the end of June 2001 (i.e., three months after the contract award), the MONUC Chief of Aviation was still unclear as to whether or not the services listed in the statement of work would be exclusively performed by the contractor. On 16 July 2001, the Department of Peacekeeping Operations informed MONUC (for the first time) that the Mission could choose from a menu of services based on the conditions at each airfield, and that MONUC would only be charged for the specific services requested. In the opinion of the Office of Internal Oversight Services, this clarification contradicted the instruction

issued by the Procurement Division on 30 March 2001, by which the contractor was asked to commence mobilization for all locations, except Bangui. At that point, there was a clear possibility that MONUC might subsequently determine that certain services would not be required at certain locations, and if that had occurred, the Organization would have been exposed to the financial risk of having to incur unnecessary mobilization charges of up to $2.6 million. In fact, after the contract was signed in November 2001, the contractor submitted an invoice in the amount of $1.8 million purporting to be the mobilization costs incurred up to July 2001. By virtue of Procurement Division's letter of 30 March 2001, these charges, if verified and confirmed, would have become payable even if no contract was signed by the parties.

14. Notwithstanding the Department's clarification that MONUC could choose the specific services to be performed by the contractor, the contractor questioned the Mission's discretion in the matter during post-award negotiations. By a letter dated 9 August 2001, the contractor stated that the request for proposals as well as the contractor's proposal had been made and accepted on an "all or none" basis, and that, according to the request for proposals, the United Nations could use its own personnel only in situations where the contractor failed to perform the service(s) in a satisfactory manner. Specifically, the contractor did not agree to the MONUC takeover of the Air Terminal Operations Centre, which was one of the services stipulated in the statement of work. The contractor refused to accept a contractual clause that enabled MONUC to engage any other person or entity to perform the services. These differences resulted in significant delay in signing the contract. Consequently, although the Headquarters Committee on Contracts had approved the award in March 2001 on the basis of a limited rebid that had been justified on the grounds of operational urgency, eight months later, MONUC continued to operate its large fleet of aircraft in an aviation environment that was considered by the Department of Peacekeeping Operations to have an unacceptably high level of risk.

15. A lesson to be learned from the problems encountered in this case is that the scope of services and the associated contractual arrangement to procure them should be properly understood by all concerned before the issuance of a request for proposals. This is particularly important when the Field Administration and Logistics Division initiates procurement actions on behalf of field missions. It is also necessary to ensure that the concept for contractual services is clearly described in the request for proposals, so that protracted post-award negotiations and their adverse impact on critical field operations are eliminated or minimized. *The Department of Peacekeeping Operations commented that lessons had been learned about defining the scope of services, and that a model statement of work was being developed for future use. The Office of Central Support Services stated that the Procurement Division would work more closely with the Field Administration and Logistics Division in future to help to define clearly the statement of work and contractual arrangements.*

C. Absence of a certified requisition

16. Established procurement procedures require the requisitioning entity to submit a certified requisition to enable the Procurement Division to initiate procurement action. Certification of a requisition by the authorized official serves as an internal control mechanism to ensure that: (a) only goods and services for which the Organization has a need are procured; and (b) adequate funds have been provided for the purpose. The Office of Internal Oversight Services found that the Field Administration and Logistics Division submitted the requisition for this contract only after the contract had been awarded. Furthermore, the Procurement Division asked the awardee to commence mobilization, with a potential liability of up to $2.6 million to the Organization, without a certified requisition from the Field Administration and Logistics Division.

17. *The Office of Central Support Services commented that although the views of the Office of Internal Oversight Services are supported by the Financial Rules of the United Nations, the nature of peacekeeping operations and the lead times required for planning a mission and for obtaining approval by the Security Council and subsequent budget approval by legislative bodies will almost certainly preclude timely procurement support. The Department of Peacekeeping Operations commented that the insistence of the Office of Internal Oversight Services on a certified requisition before commencement of preliminary procurement action would considerably slow its ability to respond in the field.* The Office of

Internal Oversight Services drew the attention of the Office of Central Support Services and the Department to its report to the General Assembly on the review of the implementation of procurement reform (A/52/813), wherein it had recommended ways to avoid slow responses by Headquarters to the procurement needs of new missions. It had suggested in that report that the control features of the Integrated Management Information System should be adjusted to accommodate requisitions that are certified as urgent requirements, pending budgetary approval and allotment of funds. That step would allow the Procurement Division to commence preliminary procurement action expeditiously, without entering into any financial commitment with vendors until funds were authorized. The Office of Internal Oversight Services believes that certification of a requisition by an authorized official — before issuance of formal requests for proposals or invitations to bid — is an internal control mechanism that should be adhered to.

IV. Technical evaluation of proposals

A. Need for disclosure of criteria for technical evaluation

18. According to the Procurement Manual, any rating system for technical evaluation of bids or proposals should be determined before the request for proposals or invitation to bid is sent to vendors. The Office of Internal Oversight Services noted that the Field Administration and Logistics Division had prepared a points-based rating system for technical evaluation of proposals but this was not transmitted to the Procurement Division before issuance of the request for proposals. It was also unclear whether the rating system had been prepared before the issuance of the request for proposals, or after the opening of proposals. In the request for proposals however, the Procurement Division had indicated certain "evaluation factors for award" in alphabetical order. In the opinion of the Office of Internal Oversight Services, these "evaluation factors" were too general and did not indicate the specific parameters and/or priorities that would determine the rating of proposals. In this connection, the Office of Internal Oversight Services drew the attention of the Procurement Division to paragraph 59 of its report on the review of outsourcing practices in the United Nations (A/51/804), in which it had recommended that evaluation criteria should be incorporated into the request for proposals to ensure the integrity of the process. In the opinion of the Office of Internal Oversight Services, a more specific disclosure of evaluation criteria in the request for proposals document would enhance transparency in the evaluation of technical proposals and enable bidders to submit competitive proposals that are more attuned to the requisitioner's priorities and needs.

B. Criteria adopted for technical evaluation

19. The Field Administration and Logistics Division had prepared a matrix indicating the specific criteria for evaluating the technical proposals submitted by bidders. The matrix identified 25 "evaluation areas", and each area was divided into sub-areas with points allocated for each. To be considered technically compliant, a bidder was required to achieve a minimum score of 70 per cent in each of the 25 evaluation areas. The maximum available points for all 25 areas totalled 2,385, which was subsequently increased to 2,465, owing to an increase in the number of airfields.

C. Initial technical evaluation

20. In response to the request for proposals, three were received by the closing date of 27 February 2001, namely from: Proposer A; Proposer B; and Proposer C. The Procurement Division retained the commercial proposals and sent copies of technical proposals to the Field Administration and Logistics Division for evaluation. On 1 March 2001, the latter informed the Procurement Division of the results of its technical evaluation, as follows:

(a) Proposer A presented the only fully compliant proposal, with a score of 2,217 points out of 2,385, or 92.9 per cent;

(b) Proposer B scored 1,974 points out of 2,385 (82.7 per cent). Although this score was higher than the minimum acceptable score of 1,670 (70 per cent) required to become technically compliant, clarifications were needed in areas such as air traffic control, emergency/crash rescue, refuelling and management control;

(c) Proposer C scored only 1,248 points out of 2,385 (52.3 per cent) and was unacceptable.

21. Upon receiving the technical evaluation of the Field Administration and Logistic Division, the Procurement Division provided it with the pricing narrative contained in Proposer B's commercial proposal concerning air traffic control (wherein Proposer B had proposed to operate air traffic control on a cost-plus basis) to enable the Field Administration and Logistics Division to determine whether this would affect the technical evaluation. By its response of 2 March 2001, the Division commented that: (a) Proposer B's proposal for air traffic control, including the cost thereof and the qualifications of personnel, should be clearly known before contract award; and that (b) in the absence of those details, Proposer A had the only technically compliant proposal.

22. The Procurement Division, however, felt that the determination of the Field Administration and Logistics Division was not commercially tenable because: (a) the cost difference between the proposals of Proposer A and Proposer B was $24.5 million; (b) the technical scores of both bidders were well above the minimum level of 70 per cent; and (c) Proposer B had indicated its inability to provide a quote for the air traffic control requirement, owing to inadequacy of information in the statement of work. On 6 March 2001, the Procurement Division gave the Field Administration and Logistics Division a copy of the abstract of prices quoted by Proposers A and B for the entire statement of work, from which it became clear to the latter Division that the costs indicated in Proposer B's proposal were lower than those of Proposer A by approximately $24.5 million, although the cost of some services (such as air traffic control and off-site training) had not been factored into Proposer B's proposal. Referring to insufficient detail provided by both bidders, the Field Administration and Logistics Division requested the Procurement Division to obtain several clarifications from all three bidders. The Procurement Division obtained these clarifications by 20 March 2001, and forwarded them to the Field Administration and Logistics Division for evaluation.

D. Discrepancies and errors in the revised technical evaluation

23. As a result of the clarifications and supplementary information provided by the bidders, the Field Administration and Logistics Division revised its previous technical evaluation of 1 March 2001. According to the revised evaluation prepared on 22 March 2001, Proposer A remained the only technically compliant bidder with a score of 2,287 points out of 2,465, or 92.8 per cent. Proposer B's overall score was substantially reduced from 1,974 points to 1,639 points (or 66.8 per cent) and, as a result, the Division considered Proposer B to be technically unacceptable, since it fell below the minimum level of 70 per cent.

24. Since Proposer B's proposal was significantly less expensive[3] than that of Proposer A, and also because the Field Administration and Logistics Division revised its technical evaluation of Proposer B, the Office of Internal Oversight Services deemed it necessary to examine the Division's revised technical evaluation in some depth. The technical evaluation report provided a description of the specific technical requirements, the points awarded to each bidder, and the basis for awarding points against each specific requirement. The review revealed the following discrepancies and errors relating to the basis on which the Division had reduced Proposer B's score from 1,974 points (83.4 per cent) in the initial evaluation to 1,639 points (66.8 per cent) in the revised evaluation.

1. Staffing, supervision and management control

25. Although Proposer B had provided the relevant information pertaining to staffing, supervision and management control for all seven airfields, the Division's technical assessment was that the bidder had provided the information for only five airfields. Evidently, the fact that Proposer B, in its clarification of 19 March 2001, had provided detailed staffing tables for all seven airfields, had been overlooked. *The Field Administration and Logistic Division stated that, when examining the issue of level of staffing, it had to be determined whether the proposed staffing met the total requirement, irrespective of the number of airfields.* In the opinion of OIOS, however, since the services were to be provided at each airfield, staffing requirements had to be evaluated for each airfield. The comment made in the technical evaluation report, to the effect

that Proposer B had provided the information for only five airfields, was factually incorrect.

2. Mobilization and commencement of operations

26. Table 1 indicates the various locations at which the contractor was required to provide the services according to the request for proposals,[4] and their respective "operational dates".

Table 1
Location of airfields and operational dates stipulated in the request for proposals

Location of airfield	*Operational date*
Kalemie	9 March 2001
Goma	9 March 2001
Kananga	23 March 2001
Kisangani	6 April 2001
Mbandaka	20 April 2001

The request for proposals also required the successful bidder to mobilize (for each site) within 10 calendar days from the date of notification by the United Nations. In case of any delay beyond the stipulated period, liquidated damages at the rate of 0.25 per cent of the contract value would be levied for each day's delay, subject to a maximum of 10 per cent of the contract value.

27. The proposals submitted by Proposers A and B affirmed their commitment to meet the operational dates indicated in the request for proposals. In the meantime however, these operational dates were overtaken by the delay in preparing the technical evaluation report, which was finalized on 22 March 2001. Upon the request of the Field Administration and Logistics Division, the Procurement Division had issued a facsimile, dated 16 March 2001, to all bidders asking them, inter alia, to provide an accelerated mobilization plan, and to confirm that mobilization would commence upon receipt of notice of award (prior to contract signature), if so requested by the United Nations. In response, Proposer A agreed to commence mobilization upon receipt of a notice of award but did not provide an accelerated mobilization plan. Instead, it reiterated the lead times indicated in its original proposal, according to which it would provide minimum operational capability by the dates[5] indicated in table 2 below.

Table 2
Mobilization schedule proposed by Proposer A

Location of airfield	*Operational date*
Kalemie	9 days from award date
Goma	9 days from award date
Kananga	23 days from award date
Kisangani	36 days from award date
Mbandaka	50 days from award date

In its response dated 19 March 2001, Proposer B agreed to commence mobilization prior to contract signature and stated that its original mobilization plan would still meet the required dates following the contract award. It also provided an "urgent accelerated mobilization plan" with limited staffing for seven days a week "beginning 10 days after contract award". It appeared that, while preparing the revised technical evaluation, the Field Administration and Logistics Division interpreted this to mean that Proposer B would not start mobilization until 10 days after notification of contract award. The technical assessment of Proposer B was adversely affected by the apparent misinterpretation, as is evident from the fact that its score for "commencement of operations" was drastically reduced from 95 per cent to 20.3 per cent (i.e., 65 points out of a possible 320). *The Field Administration and Logistics Division commented that paragraph 9.1 of Proposer B's proposal and their clarification of 19 March 2001 stated that Proposer B would not start mobilization until 10 days after it received a signed contract.* In the opinion of OIOS, the Division's comments were contrary to facts. Not only did the Division misinterpret Proposer B's clarification dated 19 March 2001, but compounded that error by misreading paragraph 9.1 of Proposer B's proposal, wherein it had clearly stated that it would commence mobilization upon contract award (not signature). Furthermore, in paragraph 9.2 of its proposal, Proposer B had guaranteed the establishment of minimum operational capability by the dates stipulated in the request for proposals; its commitment to adhere to those timelines was reiterated in its clarification dated 19 March 2001.

28. In this connection, the Office of Internal Oversight Services noted a contradiction between the "requirement" and the "basis" on which the Division had made its technical assessment. Although the "requirement" was stated as commencement of operations by the operational dates stipulated for each location, the "basis" for awarding points was driven by the Division's interpretation of the number of days requested by the bidder for commencing mobilization. This distinction is important because immediate commencement of mobilization does not necessarily translate into attainment of operational capability by a stipulated date and, conversely, some delay in commencing mobilization need not result in non-attainment of operational capability by the stipulated date. The Division's technical evaluation did not, in the opinion of the Office of Internal Oversight Services, provide assurance that this distinction was clearly understood. Both Proposer A and Proposer B had guaranteed that they would meet the timelines indicated in the request for proposals, but Proposer B's score was considerably reduced because of the emphasis on "commencing mobilization" instead of on "commencement of operations".

29. In addition, the dates for commencement of operations shown in the technical evaluation report pertaining to Proposer B were incorrect. For example, the operational date for Kalemie was shown as 22 March 2001; likewise, operations at Goma, Bangui and Kinshasa were required to commence "immediately". This was clearly impossible, because the Division's technical evaluation was prepared on 22 March 2001 and the notification of award was not issued until 30 March 2001. The technical evaluation report gave the impression that Proposer B was awarded zero points because it could not commence operations at those airfields before contract award.

3. Emergency/crash rescue services

30. With regard to the requirement for the provision of adequate equipment for emergency/crash rescue services, the technical evaluation report stated that Proposer B was providing two firefighting units for Kinshasa only, and that the remaining 10 were to be provided by the United Nations. On this ground, Proposer B was given only 10 points out of 30. The Field Administration and Logistics Division overlooked the fact that, according to the request for proposals, the United Nations was indeed supposed to provide 10 firefighting units. Furthermore, the technical evaluation report stated that Proposer B's plan for providing emergency/crash rescue training was "fully compliant", yet gave only 18 points out of 30 (or 60 per cent, which is less than the 70 per cent minimum). *The Field Administration and Logistics Division commented that on review, it appeared that zero points should have been awarded instead of 18, since Proposer B did not provide a training plan.* In the opinion of the Office of Internal Oversight Services, the Division should have ensured the factual accuracy of the technical evaluation report before its transmittal to the Procurement Division.

4. Hours of operation

31. The clarifications issued to bidders before the deadline for submission of proposals appeared to have caused some confusion. According to the request for proposals, the contractor's hours of operation were required to be 18 hours a day, 7 days a week, with the exception of emergency/crash rescue services in Kinshasa, which were required 24 hours a day, 7 days a week. One of the bidders asked the Procurement Division to clarify whether emergency/crash rescue services at other locations would be 18 hours a day, 7 days a week, and also whether this requirement would also apply for air traffic control and meteorological services. According to the Procurement Division's written clarification, dated 16 February 2001: "Emergency/crash rescue services at other sites will be primarily 12 hours a day, 7 days a week and the air traffic control and meteorological services will be the same time". One of the bidders pointed out that: "... limiting emergency/crash rescue to 12 hours a day, 7 days a week would curtail numerous other airfield operations, such as refuelling/defuelling. Please confirm ... 18 hours a day, 7 days a week [requirement] for all functions including emergency/crash rescue, air traffic control, meteorological services ... at all locations ...". The Procurement Division's written clarification, dated 22 February 2001, read: "The requirement for 18 hours a day, 7 days a week operations is confirmed. However, it is anticipated that most operations will be conducted during daylight or 12 hours per day. The contractor should plan for 18 hours a day, 7 days a week". In an earlier clarification, dated 16 February 2001, the Procurement Division had informed bidders that "... there may be night operations as an exception". On 16 March 2001 (i.e., more than two weeks after the deadline for receipt of

proposals), the Procurement Division asked the bidders to confirm that their staffing structures provided sufficient capacity to ensure availability of air traffic control, fuelling, emergency medical and maintenance services in shifts on an 18 hours a day, 7 days a week basis.

32. As at the closing date for the receipt of proposals (27 February 2001), the clarifications issued by the Procurement Division suggested that the operations would mostly be conducted during daylight or 12 hours per day; and that night operations beyond 12 hours a day, 7 days a week could occur on an exceptional basis, for which the contractor must be prepared. Proposer B's proposal seemed to have been based on this approach, in that it offered a "limited 18 hours a day, 7 days a week" capability. The technical evaluation report of the Field Administration and Logistics Division stated that Proposer B appeared to provide the services only 12 hours a day, 7 days a week and, for that reason, only 120 points had been awarded out of 180 (66.6 per cent). Given that Proposer A's proposal was significantly costlier than that of Proposer B, it appears that Proposer A planned for full-scale 18 hours a day, 7 days a week operations, although the request for proposals and subsequent clarifications clearly indicated that an 18 hours a day, 7 days a week situation could occur "on an exceptional basis". *The Department of Peacekeeping Operations commented that there was no doubt that 18 hours a day, 7 days a week was required.* In the opinion of the Office of Internal Oversight Services, the ambiguity about the 18 hours a day, 7 days a week requirement caused confusion among the bidders and may result in unnecessary expenditures to the Organization, owing to the establishment of excessive operating capacity.

5. List of equipment

33. The statement of work required the contractor to provide adequate equipment such as computers, tools, materials and consumables. The technical evaluation report of the Field Administration and Logistics Division mentioned that Proposer B "did not provide an equipment list for any airfield" and awarded only 10 out of the 30 points allocated for this requirement. However, the Office of Internal Oversight Services found that paragraph 12 of Proposer B's technical proposal provided a list of equipment for each airfield. This had been supplemented by another list of equipment (including computers, tools, materials and consumables valued at $1.9 million) for each airfield, which Proposer B had submitted on 11 March 2001. *The Department of Peacekeeping Operations commented that Proposer B did not provide sufficient special equipment for the services requested.* In the opinion of the Office of Internal Oversight Services, the statement in the technical evaluation report that Proposer B did not provide an equipment list for any airfield was clearly contrary to facts.

E. Need for engaging external expertise

34. The discrepancies and errors in the technical evaluation raise concerns about the capacity of the Field Administration and Logistics Division to prepare comprehensive technical specifications and evaluate complex technical proposals pertaining to aviation-related services. The Division may have imposed certain time constraints on itself with a view to establishing this contract expeditiously. However, it is important to note that the demands placed on the Division's capacity to evaluate technical proposals would have been considerably higher had the request for proposals had elicited a better response than it actually did. In the opinion of the Office of Internal Oversight Services, the discrepancies and errors in technical evaluation, which may have led to the selection of a more expensive contractor, indicated a need to strengthen the capacity of the Field Administration and Logistics Division to conduct such complex tasks. The Division could benefit from engaging the services of consultants or experts from the International Civil Aviation Organization for preparing detailed specifications and evaluating complex technical proposals for such aviation-related contracts.

V. Ability of the Field Administration and Logistics Division to respond to urgent operational requirements

35. The review of the Office of Internal Oversight Services concluded that the objective of expeditiously establishing an airfield services contract to meet the urgent operational requirements of MONUC was not achieved. The limited rebid conducted on grounds of urgency did not reduce the overall lead time for procuring the services. Notwithstanding the emphasis

placed by the Field Administration and Logistics Division on immediate mobilization by the contractor (Proposer A), subsequent events, arising mainly from the lack of clarity concerning the statement of work, resulted in minimal mobilization by the contractor. Although the Procurement Division had asked the contractor on 30 March 2001 to mobilize for all locations except Bangui, the contractor's mobilization efforts were minimal; as at 31 August 2001, the contractor had only mobilized 27 international staff and 2 local staff. Furthermore, the contractor had not made substantial equipment purchases. As at November 2001, MONUC was yet to start receiving the services because no contract had been signed at that date, although the Headquarters Committee on Contracts had cleared the case on a high priority basis seven months earlier.

36. In the opinion of the Office of Internal Oversight Services, there are some lessons to be learned from this case in order to develop an effective strategy for meeting such operational challenges in the future. The Field Administration and Logistics Division and the Procurement Division should consider the following issues:

(a) The operational dates for commencement of services at various locations in the MONUC mission area fell between 17 and 59 days from the closing date for receipt of proposals. However, bidders had been clearly advised that the actual delivery of services would commence only from the date of signing the contract. In order to meet the earliest operational date of 9 March 2001, the contract had to be signed by that date at the latest, which was highly unrealistic in view of the time required for obtaining approvals and clearances before contract signature. In its facsimile dated 16 March 2001 (before the award), the Procurement Division had assured the bidders that, in the event the United Nations did not eventually enter into a contract, the Organization would still reimburse the cost of mobilization. If the Department of Peacekeeping Operations had to successfully meet the Mission's urgent operational requirement, bidders should have been asked to commence the delivery of services in accordance with the timelines in the request for proposals, with the guarantee that the Organization would pay for all services delivered in accordance with the request for proposals even before a contract was formally signed.[6] As such, if the parties did not subsequently sign a contract, the Organization would pay for whatever services it actually received, up to the time it was determined that no contract would be signed. Bidders should be willing to accept such a condition if they clearly understand that the request for proposals exercised is for a requirements contract.

(b) The Procurement Division and the Field Administration and Logistics Division may also need to reconsider their position with regard to liquidated damages for any delays attributable to the contractor. The request for proposals stated that the contractor should mobilize for all sites within 10 days from the date of notification of award and, in case of any delay, liquidated damages at a daily rate of 0.25 per cent of the contract value would be imposed. Such a provision for liquidated damages does not ensure delivery of services by the operational dates indicated in the request for proposals. To ensure that critically needed services are provided in accordance with operational timelines, the request for proposals would have to stipulate that the contractor should deliver the services by the operational date even before a formal contract is signed, if necessary (as discussed in paragraph 36 (a) above), and that the contractor would be liable for liquidated damages for any delay in delivery of services beyond the operational date.

37. *The Department of Peacekeeping Operations commented that MONUC — and not the contractor — had been the major impediment to mobilization. The delays in mobilization had been owing to the Mission's reluctance to support the contractor. Even though Headquarters had issued the notice of award, MONUC had not exercised managerial flexibility to utilize the contract. The Office of Central Support Services commented that a number of valuable lessons had been learned from this exercise, and that the Procurement Division would work closely with the Field Administration and Logistics Division to devise appropriate strategies to effectively support the urgent operational requirements of field missions.*

VI. Recommendations

38. The Office of Internal Oversight Services made eight recommendations as a result of this audit. Comments received from the Department of Peacekeeping Operations and the Office of Central Support Services on the implementation status of the recommendations are summarized after each recommendation.

Recommendation 1

39. The Department of Peacekeeping Operations should ensure that the cost-effectiveness of its outsourcing decisions is properly documented in accordance with the policies and procedures for outsourcing (AP2001/79/5/1).*

40. *The Department of Peacekeeping Operations agreed that it must properly document the basis for its outsourcing decisions. However, no cost-benefit analysis was prepared in this case, since there were no viable alternatives to outsourcing.* Nonetheless, the Office of Internal Oversight Services is pleased to note that in March 2002, the Department of Peacekeeping Operations informed MONUC of its intention to conduct cost-benefit analyses of the various options stemming from the Department's decision to reassess the Mission's requirements for airfield services. The Office of Internal Oversight Services urges the Department of Peacekeeping Operations to ensure that future outsourcing decisions are fully supported by a cost-benefit analysis in accordance with the Organization's policies.

Recommendation 2

41. The Field Administration and Logistics Division should ensure that field missions' requirements for goods and services are determined in consultation with the concerned missions (AP2001/79/5/2).

42. *The Department of Peacekeeping Operations accepted this recommendation.*

Recommendation 3

43. The Field Administration and Logistics Division and the Procurement Division should clearly define the scope of services and the associated contractual arrangements in the requests for proposals to avoid possible confusion and resultant delays that might adversely affect missions' operations (AP2001/79/5/3).

44. *The Department of Peacekeeping Operations and the Office of Central Support Services accepted this recommendation.*

Recommendation 4

45. The Procurement Division should issue formal requests for proposals or invitations to bid only after the receipt of duly certified requisitions (AP2001/79/5/4).

46. *The Office of Central Support Services commented that, to ensure timely support, it was sometimes necessary to commence preliminary procurement action prior to the receipt of a duly certified requisition. Such preliminary action, which sometimes involved the issuance of invitations to bid or requests for proposals, was needed to respond appropriately to genuine exigencies.* The Office of Internal Oversight Services believes that certification of a requisition by an authorized official before issuance of formal requests for proposals or invitations to bid is an internal control mechanism that should be adhered to. As previously explained in its report on the review of procurement reform (A/52/813), this can be accomplished by adjusting the control features of the Integrated Management Information System to accommodate requirements that are certified as urgent requirements.

Recommendation 5

47. The Field Administration and Logistics Division should finalize the criteria for evaluation of technical proposals before issuance of the request for proposals and submit them to the Procurement Division for inclusion in the request for proposals (AP2001/79/5/5).

48. *The Department of Peacekeeping Operations accepted this recommendation, but stated that, in exceptional circumstances, procurement procedures should allow the tendering process to proceed while the evaluation criteria are being finalized.* The Office of Internal Oversight Services will continue to monitor such exceptions in view of their potential impact on the transparency of the procurement process.

Recommendation 6

49. The Procurement Division should ensure that requests for proposals disclose the criteria for technical evaluation of proposals with as much specificity as possible (AP2001/79/5/6).

* The symbols in parentheses in this section refer to an internal code used by the Office of Internal Oversight Services for recording recommendations.

50. *The Office of Central Support Services accepted this recommendation.*

Recommendation 7

51. The Field Administration and Logistics Division should consider engaging the services of consultants/experts, including those from specialized entities within the United Nations system, as appropriate, for preparing detailed specifications and conducting technical evaluations relating to complex projects (AP2001/79/5/7).

52. *The Department of Peacekeeping Operations accepted this recommendation.*

Recommendation 8

53. The Field Administration and Logistics Division should identify the lessons learned from this case and devise appropriate strategies to respond effectively to urgent operational requirements of field missions (AP2001/79/5/8).

54. *The Department of Peacekeeping Operations accepted this recommendation and commented that corrective action had been taken. A dedicated Contracts Management Cell had been established, and training programmes would be conducted for field and Headquarters staff to strengthen contract management.*

55. On 19 March 2002, the Department of Peacekeeping Operations informed MONUC that, in view of the observations and recommendations of the Office of Internal Oversight Services, the Advisory Committee on Administrative and Budgetary Questions (see A/56/845), and the Department's Logistics and Communications Service, corrective action would be taken by rebidding the contract for airfield services. The Office of Internal Oversight Services will review the implementation of its recommendations during the rebidding process.

(*Signed*) Dileep **Nair**
Under-Secretary-General
for Internal Oversight Services

Notes

[1] These services mainly consisted of cargo and passenger handling, firefighting and emergency/crash rescue, aircraft servicing/refuelling, and equipment maintenance. The airfields covered by the contract were located in Kinshasa, Goma, Kalemie, Kananga, Kisangani, Mbandaka and Bangui.

[2] The updated concept of operations was included in the sixth report of the Secretary-General on MONUC (S/2001/128 dated 12 February 2001).

[3] After several rounds of clarifications, Proposer B indicated a total cost of about $21.8 million as compared to Proposer A's offer of about $34.2 million.

[4] The request for proposals did not stipulate an operational date for the airfields at Kinshasa and Bangui.

[5] Since mobilization and deployment were scheduled to continue well beyond those dates, Proposer A's plan was to only provide minimum operational capability by those dates.

[6] In the event of such an emergency, the required services could be ordered by issuance of purchase orders pursuant to financial rule 110.22 until a formal contract is signed by the parties.